

Message Text

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ACTION SS-30

INFO OCT-01 ISO-00 /031 W

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R 061945Z MAR 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 7681

C O N F I D E N T I A L SANTIAGO 1085

EXDIS

E.O. 11652: GDS

TAGS: EIND, US, CI

SUBJECT: CERRO AND EXOTICA

PASS OPIC AND TREASURY

1. WALSH RETURNED TO U.S. NIGHT OF FOURTH. BEFORE LEAVING HE INFORMED AMBASSADOR THAT CERRO-GOC AGREEMENT HAD BEEN APPROVED IN PRINCIPLE BY JUNTA. CERRO HOPING TO CLOSE WEEK OF MARCH 11.

2. EXOTICA HAS BEEN SUBJECT OF DISCUSSIONS RELATING TO TAX PROBLEMS TOTALLING IN EXCESS OF \$1 MILLION. PHILIPPI'S TEAM HAD INFORMED OPIC LAWYERS ON FRIDAY MARCH 1 THAT THE TAX ASSESSMENTS WOULD NOT BE APPEALED BY THE NATIONALIZED COMPANY, AND THAT, IF OPIC WISHED TO KEEP OPEN THE POSSIBILITY OF HAVING TAXES IMPUTED AGAINST COMPENSATION, IT SHOULD APPEAL ON ITS OWN BEHALF, NOT LATER THAN 5 MARCH WHEN ASSESSMENTS WOULD BECOME FINAL. AFTER A WEEKEND OF STUDY, OPIC LAWYERS ADVISED AGAINST THIS COURSE. THE PROBLEM WAS DISCUSSED WITH PHILIPPI AND HIS TEAM ON 4 MARCH. AFTER MUCH TALK, IT WAS AGREED THAT PHILIPPI WOULD RECOMMEND TO IMPUESTOS INTERNOS THAT ALL THE ASSESSMENTS BE ANNULLED. OPIC SHOULD KNOW SOON WHETHER THIS EFFORT IS SUCCESSFUL. FYI THE PRINCIPAL AMOUNT OF ASSESSED TAX LIABILITY IS ONLY
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ABOUT \$300,000, THE BALANCE BEING PENAL INTEREST,

FINES, ETC. PHILIPPI AND OPIC LAWYERS ARE IN
AGREEMENT THAT IMPUESTOS INTERNOS HAS THE LEGAL
POWER TO FORGIVE EVERYTHING EXCEPT THE PRINCIPAL
AMOUNT. THIS POWER WAS EXERCISED IN CERRO CASE.
OPIC LAWYERS BELIEVE THAT IMPUESTOS INTERNOS
ALSO HAS POWER TO MODIFY THE PRINCIPAL ASSESSMENTS
SUA SPONTE AND THAT AN APPEAL TO A JUDICIAL
TRIBUNAL IS THEREFORE UNNECESSARY. IN ADDITION,
THEY ARE DOUBTFUL AS TO CHANCES OF SUCCESS OF AN
APPEAL.
POPPER

NOTE BY OCT: NOT PASSED OPIC AND TREASURY.

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